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APPLICATION OF SOUTHWESTERN §
ELECTRIC POWER COMPANY FOR §
AUTHORITY TO CHANGE RATES § BEFORE THE
STATE OFFICE OF
ADMINISTRATIVE HEARINGS

SOUTHWESTERN ELECTRIC POWER COMPANY'S
REPLY TO SIERRA CLUB'S RESPONSE TO MOTION TO STRIKE TESTIMONY

Sierra Club's April 16 response to Southwestern Electric Power Company's (SWEPCO) objection and motion to strike a portion of Devi Glick's testimony is based on repeated misstatements of fact. To facilitate a ruling on SWEPCO's motion to strike based on fact and not misstatements, SWEPCO highlights the following facts.

I.

None of the capital investment addressed in Section V of Ms. Glick's testimony is contained in SWEPCO's requested rate base or being reviewed in this proceeding because none of it was placed in service before the end of the Test Year.

No less than six times, Sierra Club alleges that SWEPCO is seeking recovery of some portion of its CCR/ELG investment in the Flint Creek plant "for the first time in this case."¹ More specifically, Sierra Club claims SWEPCO is seeking recovery of "\$401,396 in avoidable compliance costs included in the test year of this case."² In each of these instances, Sierra Club cites SWEPCO's supplemental response to CARD RFI 1-16, which requests information about "capital expenditures." Sierra Club misunderstands what CARD requested in CARD RFI 1-16 and what SWEPCO provided in response.

¹ Sierra Club's Response to Southwestern Electric Power Company's Objection and Motion to Strike the Testimony of Devi Glick and, in the Alternative, Request to Disallow all Flint Creek Test Year Spending ("Sierra Club's Response") at 3, 5, 11, 13, and 17 (Apr. 16, 2021).

² Sierra Club's Response at 3, 5, and 13.

Because CARD asked for information regarding “capital expenditures,” SWEPCO quite naturally referred CARD to Rate Filing Package Schedule H-5.3b – “Capital Expenditures.” Schedule H-5.3b reflects capital expenditures by calendar year, both historical and projected, by project. Schedule H-5.3b does not identify those capital projects that have been placed in service and are being requested for inclusion in rate base. Until capital expenditures are placed in service, those expenditures are recorded as Construction Work in Progress (CWIP). Attachment 2 to SWEPCO’s supplemental response to CARD RFI 1-16, often cited by Sierra Club, identifies the Schedule H-5.3b capital expenditures that were made during the 12 month historical Test Year and does show that \$401,395.97 was expended during the Test Year at the Flint Creek plant for CCR/ELG conversion (Project FLC U1 DBA Conver (CCR/ELG)). Nonetheless, this fact is not an indication that these expenditures were placed in service and are being requested for inclusion in rate base.

Capital projects that have been placed in service and are being requested as a part of rate base are reflected on Schedule H-5.2b – “Capital Costs.” As directed in the Commission’s instructions to the Rate Filing Package for Generating Utilities, Schedule H-5.2b reflects capital projects “being requested in the current rate case filing to be included in the rate base.” There are no CCR/ELG compliance projects shown on Schedule H-5.2b because none of those projects were placed in service before the end of the Test Year.

Not understanding or ignoring the distinction between Schedules H-5.2b and H-5.3b, Sierra Club’s Response cites the testimony of SWEPCO witness Monte McMahon for the proposition that a comprehensive list of capital additions can be found in Schedule H-5.2b. Sierra Club writes, “Notably, Mr. McMahon specifically references the ‘comprehensive list of capital additions’ in Schedule H-5.2b, which as discussed, includes significant capital costs associated with the Flint

Creek retrofitting.”³ In fact, Schedule H-5.2b does not contain any Flint Creek CCR/ELG projects because none were placed in service before the end of the Test Year.

Because the Flint Creek CCR/ELG project had not been placed in service prior to the end of the Test Year, those capital expenditures were included in CWIP. This fact is confirmed by Schedule C-4.1 – CWIP by Functional Group, which is cited in the Response of Sierra Club in footnote 15. Line 182 of Schedule C-4.1 demonstrates that the same Flint Creek CCR/ELG project identified by Sierra Club on Schedule H-5.3 – FLC U1 DBA CONV (CCR/ELG) was classified as CWIP at the end of the Test Year. Line 182 of Schedule C-4.1 shows that, as of the end of the Test Year, SWEPCO had expended \$1,282,613 on this project⁴ and SWEPCO expected to expend a total of \$17,989,452 on this project by the time the project is placed in service on December 31, 2023. The \$1,492,488 in estimated Allowance for Funds Used During Construction (AFUDC) that is identified on line 182 of Schedule C-4.1 and cited in footnote 15 of the Sierra Club Response is the estimated AFUDC that will have accrued to the project by the time it is placed in service. What Sierra Club fails to recognize or acknowledge in its footnote 15 is that the expenditures for Project FLC U1 DBA CONV (CCR/ELG) are classified as CWIP at Test Year end and that the estimated in-service date shown for this project is “12/31/2023.”

As noted in SWEPCO’s Motion to Strike in footnote 9, “While some CCR/ELG capital expenditures were made prior to 2021, such expenditures represent Construction Work In Progress (CWIP) until placed in service.”⁵ SWEPCO has not requested that any CWIP be included in rate

³ Sierra Club’s Response at 16-17.

⁴ This amount differs from the amount identified on Attachment 2 to SWEPCO’s supplemental response to CARD RFI 1-16 because the latter identifies only the expenditures made during the Test Year, not the cumulative expenditures made through the end of the Test Year.

⁵ Southwestern Electric Power Company’s Objection and Motion to Strike the Testimony of Devi Glick on Behalf of Sierra Club (Apr. 9, 2021)

base in this proceeding. Indeed, the Commission's Cost of Service rule states that the inclusion of CWIP in rate base will be allowed only in exceptional circumstances.⁶ None of the capital investment addressed in Section V of Ms. Glick's testimony is contained in SWEPCO's requested rate base or being reviewed in this proceeding because none of it was placed in service before the end of the Test Year.

II.

The Flint Creek CCR/ELG unit disposition study that informed SWEPCO's decision to retrofit Flint Creek was conducted in October 2020, well after the end of the Test Year, not in February 2020.

No less than five times, the Response of Sierra Club inaccurately states that the Flint Creek CCR/ELG unit disposition study was conducted in February 2020.⁷ The study was conducted in October 2020. In its discovery request 3.2b, the Sierra Club asked when the Flint Creek CCR/ELG was conducted, the response to which, by way of reference to another discovery response, was October 2020.⁸ SWEPCO's decision to retrofit the Flint Creek plant for continued operation in compliance with CCR/ELG requirements was made and communicated to the U.S. Environmental Protection Agency (EPA) in November 2020,⁹ well after the end of the Test Year. The timing of the unit disposition study and decision to retrofit are not dispositive of SWEPCO's Motion to Strike. However, Sierra Club's misstatement of these facts implies a connection to Test Year end rate base that does not exist.

⁶ 16 Tex. Admin. Code § 25.231(c)(2)(D).

⁷ Sierra Club's Response at 7, 12, 14, 15, and 18.

⁸ See SWEPCO's response to Sierra Club RFI 3.2b. ("Indicate the date the study was conducted.") (Mar. 15, 2021).

⁹ <https://www.aep.com/Assets/docs/requiredpostings/ccr/2020/12-2-2020/FC-PBAP-SIAAlternateCapacityInfeasibleNotice-11302020.pdf>

III.

The portion of Ms. Glick's testimony subject to SWEPCO's Motion to Strike – Section V – addresses nothing but SWEPCO's decision to retrofit Flint Creek for compliance with CCR/ELG.

On page 15 of its Response, Sierra Club claims, “Ms. Glick’s analysis of the going forward economics of Flint Creek, and her criticisms of SWEPCO’s February 2020 [sic] unit disposition study, are relevant to the non-ELG/CCR costs that SWEPCO has proposed for the plant.” Ms. Glick’s so-called “going forward economics of Flint Creek” are contained in Section IV of her testimony and not a subject of the Motion to Strike and her criticisms of the Flint Creek unit disposition study are just that – criticisms of the Flint Creek unit disposition study.

The matters addressed in Section V of Ms. Glick’s testimony extend exclusively to SWEPCO’s decision to retrofit Flint Creek for continued operations in compliance with CCR/ELG requirements and not any capital investment placed in service before the end of the Test Year. Section V of Ms. Glick’s testimony is entitled “SWEPCO IS IMPRUDENTLY INVESTING \$26.8 MILLION TO RETROFIT FLINT CREEK TO EXTEND THE LIFE OF THE PLANT BEYOND 2028.” The question that concludes Section V is “What is your conclusion with regards to the prudence of the Company’s decision to invest in the CCR and ELG upgrades at Flint Creek?” And every question and answer in between these two addresses the October 2020 – not February 2020 - Flint Creek unit disposition study that informed SWEPCO’s November 2020 decision to retrofit the Flint Creek plant for continued operation in compliance with the requirements of CCR/ELG. Section V of Ms. Glick’s testimony does not address, in any part, the capital investment being requested for inclusion in rate base or the O&M expenditures incurred during the Test Year.

Respectfully submitted,

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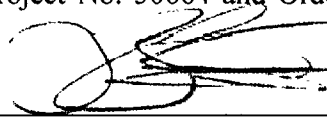
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CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on April 23, 2021, in accordance with the Second Order Suspending Rules issued in Project No. 50664 and Order No. 1 in this matter.

A handwritten signature in black ink, appearing to be 'William Coe', written over a horizontal line.

William Coe